

Service bulletin

Travel Arrangement Services

2009



Highlights

Overview of Trends

Canada's travel arrangement and reservation services industry group experienced a decline of 1.7% in operating revenue in 2009, losing momentum after facing the difficulties of the economic downturn and the drop in international travel.

The World Tourism Organization (WTO) reported that international tourist arrivals declined worldwide by 4% in 2009, the first decline since 2003. As well, the International Travel Survey indicated that Canadians took fewer overnight trips abroad in 2009, representing a decrease of 3.1% from a record high in 2008. Domestically, the National Tourism Indicators noted that Canada's tourism spending decreased 4.5% as spending by international visitors in Canada fell to its lowest level in 15 years.

According to the travel arrangement services survey, the industry operating revenues decreased to \$10.2 billion in 2009, down from \$10.4 billion in 2008. Operating expenses declined 0.9% to \$10.1 billion. As a result, the industry's profit margin fell from 1.6% in the previous year to 0.8% in 2009. This industry group is comprised of tour operators, travel agencies and reservation services industries.

Tour Operators record negative profits

Tour operators continued to dominate the travel arrangement services industry group, accounting for more than three-quarters of total operating revenues. Despite operating revenues increasing 0.6% to \$7.7 billion, tour operators recorded a negative profit margin of -0.5%. Operating expenses increased 1.4% to \$7.7 billion.

The largest revenue source for the tour operating industry was sales of tour packages, either directly to clients or to travel retailers (77%). Transportation fares (15%) ranked as the second largest revenue source.

The cost of tour package components represented the bulk of tour operator's expenses at 83.4%. Salaries, wages and benefits, the second largest component of expenses, accounted for 5.1% of total operating expenses.

The tour operator industry is concentrated in three provinces: Ontario, Quebec and British Columbia. Together these provinces generated 90% of total operating revenue. The top 20 companies accounted for 81% of the industry's total revenue in 2009.

Travel Agencies revenues decline

Travel agencies recorded total operating revenues of \$1.5 billion in 2009, down 6.5% from 2008. Operating expenses also declined to \$1.4 billion, down 5.7%. The industry's profit margin dropped to 5.7% from 6.6% the previous year.

In 2009, travel agencies continued to rely heavily on commissions charged from suppliers as almost half (45%) of total revenue for this industry came from selling and reserving transportation fares. Commissions obtained for selling tour packages (26%) followed in relative importance.

Salaries, wages and benefits accounted for over half of their total operating costs; this was followed by rental and leasing at 7.6%, and advertising at 6.1%.

The travel agency industry is concentrated primarily in central Canada. Ontario and Quebec generated two-thirds of the industry's total operating revenue. This industry is characterized by small businesses. In 2009, the top 20 firms accounted for 36% of total revenue generated by the industry.

Statistical tables

Table 1
Summary statistics for travel arrangement services, 2007 to 2009

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin	Statistical establishments
	millions of dollars			percent	number
Travel agencies					
2009 ^p	1,517.9	1,430.7	795.4	5.7	4,524.0
2008 ^r	1,623.5	1,516.7	844.8	6.6	4,639.0
2007 ^r	1,659.2	1,555.4	868.6	6.3	4,704.0
Tour operators					
2009 ^p	7,701.2	7,739.5	426.5	-0.5	1,173.0
2008 ^r	7,655.4	7,636.0	448.3	0.3	1,279.0
2007 ^r	7,515.8	7,444.7	434.5	0.9	1,191.0
Reservation services					
2009 ^p	968.9	937.2	267.7	3.3	686.0
2008 ^r	1,084.1	1,043.3	299.6	3.8	735.0
2007 ^r	1,006.3	988.6	281.2	1.8	698.0
Travel arrangement services					
2009 ^p	10,188.0	10,107.5	1,489.6	0.8	6,383.0
2008 ^r	10,362.9	10,196.1	1,592.7	1.6	6,653.0
2007 ^r	10,181.2	9,988.7	1,584.3	1.9	6,593.0

Note(s): According to the North American Industry Classification System (NAICS 561510, 561520 and 561590). See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total.

Table 2
Distribution of revenue by destination for travel arrangement services, 2007 to 2009

	Canadian destinations	US destinations	Foreign destinations (non-US)
	percent		
Travel agencies			
2009 ^p	21.5	24.6	53.8
2008 ^r	23.4	23.2	53.4
2007 ^r	24.8	23.6	51.7
Tour operators			
2009 ^p	9.2	7.8	83.0
2008 ^r	10.8	7.8	81.5
2007 ^r	11.6	6.5	81.9
Travel arrangement services			
2009 ^p	11.0	10.2	78.8
2008 ^r	12.7	10.1	77.2
2007 ^r	13.8	9.3	76.9

Note(s): According to the North American Industry Classification System (NAICS 561510 and 561520). See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total. The smallest firms, in terms of revenues earned, are not included in the estimates. These firms account for a relatively small portion of total industry revenues.

Table 3
Operating expenses for the tour operators industry, Canada, 2009

	percent
Total expenditures	
Salaries, wages and benefits	5.1
Commissions paid to non-employees	4.5
Professional and business services fees	F
Subcontract expenses	F
Charges for services provided by your head office	F
Cost of goods sold	83.4
Office supplies	F
Rental and leasing	F
Repair and maintenance	F
Insurance	F
Advertising, marketing and promotions	1.1
Travel, meals and entertainment	F
Utilities and telecommunications	F
Property and business taxes, licenses and permits	F
Royalties, rights, licensing and franchise fees	x
Delivery, warehousing, postage and courier	F
Financial service fees	F
Amortization and depreciation of tangible and intangible assets	F
Bad debts	x
All other expenses	2.1
Total operating expenses ¹	100.0

1. Total operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

Note(s): Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 561520. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

Table 4
Operating expenses for the travel agencies industry, Canada, 2009

	percent
Total expenditures	
Salaries, wages and benefits	59.3
Commissions paid to non-employees	F
Professional and business services fees	2.4
Subcontract expenses	F
Charges for services provided by your head office	2.1
Cost of goods sold	F
Office supplies	3.5
Rental and leasing	7.6
Repair and maintenance	1.4
Insurance	F
Advertising, marketing and promotions	6.1
Travel, meals and entertainment	1.8
Utilities and telecommunications	2.8
Property and business taxes, licenses and permits	F
Royalties, rights, licensing and franchise fees	F
Delivery, warehousing, postage and courier	F
Financial service fees	1.3
Amortization and depreciation of tangible and intangible assets	2.0
Bad debts	F
All other expenses	5.7
Total operating expenses ¹	100.0

1. Total operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

Note(s): Due to rounding, components may not add to total. Based on the North American Industry Classification System (NAICS) and includes all establishments classified under 561510. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

Data sources, definitions and methodology

Description

This annual sample survey collects data required to produce economic statistics for the Travel Arrangement and Reservation Services industry in Canada. Data collected from businesses are aggregated with information from other sources to produce official estimates of national and provincial economic production for this industry. Survey estimates are made available to businesses, governments, investors, associations, and the public. The data are used to monitor industry growth, measure performance, and make comparisons to other data sources to better understand this industry.

Target population

The target population consists of all establishments classified to Travel Arrangement Services industry (NAICS 5615) according to the North American Industry Classification System (NAICS) during the reference year. This industry comprises establishments primarily engaged in Travel Arrangement and Reservation Services.

Sampling

This is a sample survey with a cross-sectional design.

The frame is the list of establishments from which the portion eligible for sampling is determined and the sample is taken. The frame provides basic information about each firm including address, industry classification, and information from administrative data sources. The frame is maintained by Statistics Canada's Business Register Division and is updated using administrative data. The basic objective of the survey is to produce estimates for the whole industry - incorporated and unincorporated businesses. The data come from two different sources: a sample of all businesses with revenue above or equal to a certain threshold (note: the threshold varies between surveys and sometimes between industries and provinces in the same survey) for which either survey or administrative data may be used; and administrative data only for businesses with revenue below the specified threshold. It should be noted that only financial information is available from businesses below the threshold; e.g., revenue, and expenses such as depreciation and salaries, wages and benefits. Detailed characteristics are collected only for surveyed establishments. Prior to the selection of a random sample, establishments are classified into homogeneous groups (i.e., groups with the same NAICS codes and same geography). Quality requirements are targeted, and then each group is divided into sub-groups called strata: take-all, must-take, and take-some. The take-all stratum represents the largest firms in terms of performance (based on revenue) in an industry. The must-take stratum is comprised of units selected based on complex structural characteristics (multi-establishment, multi-legal, multi-NAICS, or multi-province enterprises). All take-all and must-take firms are selected to the sample. Units in the take-some strata are subject to simple random sampling.

The effective sample size for reference year 2009 was 870 collection entities.

Definition

Operating revenue excludes investment income, capital gains, extraordinary gains and other non-recurring items.

Operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

Operating profit margin is derived as follows: operating revenue minus operating expenses, expressed as a percentage of operating revenue. The derived figure excludes corporation income tax paid by incorporated businesses and individual income tax paid by unincorporated businesses. For unincorporated businesses, operating profit margin includes unpaid remuneration to partners and proprietors, which is not recorded as salaries,

wages and benefits. Therefore the profit estimate will be higher in industries where unincorporated proprietorships and partnerships are significant contributors.

Salaries, wages and benefits include vacation pay and commissions for all employees for whom a T4 slip was completed. This category also includes the employer portion of employee benefits for items such as Canada/Quebec Pension Plan or Employment Insurance premiums. Salaries and wages do not include working owners' dividends nor do they include the remuneration of owners of unincorporated business. Therefore the relative level of salaries, wages and benefits will be lower in industries where unincorporated businesses are significant contributors.

An active statistical establishment is one production entity or the smallest grouping of production entities which produces as homogeneous a set of goods and/or services as possible; which does not cross provincial boundaries; and for which records provide data on the value of output together with the cost of principal intermediate inputs used and cost and quantity of labour resources used to produce the output.

Quality evaluation

Prior to dissemination, combined survey results are analyzed for overall quality; in general, this includes a detailed review of individual responses (especially for the largest companies), an assessment of the general economic conditions portrayed by the data, historic trends, and comparisons with other data sources.

Disclosure control

Statistics Canada is prohibited by law from releasing any data which would divulge information obtained under the Statistics Act that relates to any identifiable person, business or organization without the prior knowledge or the consent in writing of that person, business or organization. Various confidentiality rules are applied to all data that are released or published to prevent the publication or disclosure of any information deemed confidential. If necessary, data are suppressed to prevent direct or residual disclosure of identifiable data.

Data accuracy

Of the units contributing to the estimate, the weighted response rate was 91.8%.

Related products

CANSIM

Available on CANSIM: table 351-0003 - Summary statistics for travel arrangement and reservation services (all establishments), by North American Industry Classification System (NAICS), annual (15 series)

Survey(s)

Definitions, data sources and methods: survey number 2423 - Annual Survey of Service Industries: Travel Arrangement Services

Publications

Service Industries Newsletter, Catalogue no. 63-018-X.

Analytical paper series - Service Industries Division, Catalogue no. 63F0002X.

Release date: January 2011

Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
p	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published

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